INTRODUCTION

The process of privatization in Serbia, drafted by legal regulation in 2001, was activated after forming of the institutions for carrying out privatization in the second half of 2001 and in the beginning of 2002.

Privatization carrying out, in the section concerning activities of the Share Fund of the Republic of Serbia and trade of security papers i.e. shares at Belgrade share market, was frequently followed by sequence of restrictions:

- Unfinished environment of building up the financial market
- Not having adequate share market culture in Serbia
- Not having the financial market law, bookkeeping and revision law and investment funds law
- Unadapted security papers law and enterprise law to the new conditions
- High level of ignorance concerning shares and share holding
- Incompleteness of institutional, functional and technical and technological frame of Belgrade share market
- Inadequate level of knowledge and professionalism among broker agencies, investment consultants, as well as efficient practice in settling potential financial dispute.

The privatization law provides shares circulation, issued in privatization procedure, to be free in secondary circulation and carried out in financial share market. At the same time, the privilege of priority purchase is abolished for all who have gained shares during former privatization law.

Adopting the Share fund law as the third system law in the process of privatization, the Fund represents specific financial institution which, in the name in and on the behalf of the state, does the privatization in the part of selling minority parcel of companies' shares left from earlier privatization procedures.

At the same time, the privatization law and the share fund law have regulated the institution of future Central register by forming the Temporary register which function is in accordance with the Regulations.

Unreliability of share books in the subjects of privatization according to previous laws and unreal financial performance, this legal solution introduces an obligation where share holders' books are to be in accordance with status in Central i.e. Temporary register in limited time period.

With the certificate of the Temporary register and decision of the Ministry of economy and privatization, a company's brochure can be prepared, from the very subject of privatization as well as from the portfolio of the Share fund, for trade at the Belgrade share market.

The first shares trade from the portfolio of the Share fund, using auction method at the share market on 30th April 2002, was preceded by period of preparation, complete share analyses and arrangement of all relevant data. In the portfolio of the Share fund, after so far done check from Temporary register, are minority parcel of shares of about 1000 companies.

From the portfolio of the Share fund in one-year period from the beginning of trade, over 90 companies have been privatized with financial effect of about cca 6 billion dinars or 96 million euros.

- Participation of the Share fund at Belgrade share market trade in this period is about 60 % of total circulation in share trade.
- Total realized shares' value is twice bigger than corrected bookkeeping value – upper limit – which represents maximum value from initial price with which Share fund brings shares to the Share market.
- Total realized shares' value is four times bigger than lower limit of corrected bookkeeping value- which represents minimum value of initial price with which Share fund brings shares to the Share market.
- Total realized shares' value is 2.55 times bigger than par shares' value.

Share fund of the Republic of Serbia has implemented the most adequate selling method so far, mainly at public auctions at the Belgrade share market with the help of brokers, as well as method of public, out of share market auction, while certain share parcels are in tender procedure with privatization agency. At the same time, Share fund of the Republic of Serbia is in the phase of preparing to activate selling of minor parcels using method of Initial Public Offer (IPO) for certain companies.

In accordance with practical solutions, Managing board of the Share fund has made Regulation about additional capitalization procedure for certain companies from the portfolio of Fund whose procedures are in practical preparation.

- Buying shares from the Share Fund of the Republic of Serbia you invest in future corporative business and dividends

Director of Share Fund Of the Republic of Serbia
Aleksandar Gracanac PhD

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❖ *What is continual trade?*

Security papers trade made according to multiple price . done through supply and demand book.

❖ *What is trade order?*

These are orders which client purchaser and client seller give to their brokers for purchase execution. i.e. selling of security paper in question. Share market coordinator (Broker) sorts out orders of his clients according to sort and price. so that he can give collective purchasing/selling orders to share market broker.

❖ *What is trade organization at share market?*

Trade at the share market is made according to strictly determined rules. Trade can be organized as::
- Auction trade at prevailing price.
- Auction trade minimum price minimum quantity and
- Continual trade

❖ *What is clearing, and what is balancing?*

Procedures done in separate departments of Share market or in specialized institutions after carrying out purchasing and selling order.
These procedures refer to mutual settling of liabilities and demands and transfer of sold securities from an old to the new owner and at the same time money transfer from purchaser's account to the account of former paper owner.

❖ *What is broker?*

Share market coordinator who has license for security papers trade at share market in the name and for the account of client (purchaser).

❖ *How to do business with broker?*

When client comes to broker agency with intention to inquire about purchasing shares from a company. by rule. brokers from terminals give full information about shares of certain company, and suggest when, how much money to invest in purchasing.

After giving full consulting, client (purchaser) makes decision whether and when to trust to broker making the desired transaction at the share market. Client can limit the price he is ready to pay, i.e. to purchase at limited price, and such orders can be used in opposite case, when selling shares.

❖ *When to purchase and when to sell shares?*

It is vital to decide when to purchase and when to sell, as well as what to purchase and what to sell! This question is choice of right time and readiness to take over risks from unexpected price change. It is necessary to encourage share holders and investors to persistently examine the market in detail together with authorized broker for this way, risks, on decisions when to purchase i.e. sell shares, can be lessen.
Examine, then invest!

❖ *Who can purchase shares?*

Each honest and responsible citizen.
Brokers, at the same time, must be sure in responsibility of their clients, for oral purchasing orders are accepted. Many potential investors did not purchase shares because they did not know how to do it. How to invest excess money, client must decide on estimation that return rate on invested money will be adequate to future expectations of purchasing shares.

❖ *Why and how shares of minority shareholders are joined to Share fund when selling at the Belgrade share market?*

According to legal provisions, Share fund can invite on public bid minority shareholders to make higher price of shares in mutual interest, where larger mutual share parcel would be more attractive for potential purchasers.
Minority share holders can place initiative for enlarging shares parcel to the broker of Share fund.

❖ *How much is purchasing or selling of shares?*

Commissions amount for all transactions at share market varies depending on order size, where it is slightly less for bigger orders than for smaller ones. Currently, commissions on shares transactions are 0.85 or 1 % at average.

❖ ***What is dividend?***

A part of profit shared among share holders.

❖ ***How high are dividends?***

Dividend amount depends on profitability of a company and positioning at market.

❖ ***What is deposit?***

Deposit is amount of money or bank's warranty which potential purchaser pays in order to secure participation at share market auction.

❖ ***What is additional capitalization?***

Enhancement of basic capital value on the basis of new investments and with application of Share fund's Regulations and consent of the Commission for security papers, for carrying out process of additional capitalization.

❖ ***What is prevailing price?***

Prevailing price is the price at which the biggest shares circulation is made, measured by number of shares.

❖ ***What is minimum price – minimum quantity method?***

Share trade, from Article 1 of Trade Regulations, from privatization procedure, by minimum price and minimum quantity method, is organized on request of a member of Share market (submitter of selling order) in case that share offer is applied, unified in price and makes at least 2% of total number of shares issuers, issued in the privatization procedure. Share trade by minimum price and minimum quantity method cannot be scheduled in term shorter than 20 days from the day of submitting the request.
This method represents order "all or nothing" by those who offer and announce invitation to potential purchasers for total quantity and according to determined price. Offer conditions are announced in public as an invitation to purchasers, and announcement should contain instructions about height, place and manner of placing deposit.

❖ *What is auction price?*

Auction price is the price established at auction organized on minimum price-minimum quantity method.

❖ *What is leveling price?*

Leveling price is the price established at the margin of fluctuation zone at which it is not allowed to conclude transactions.

❖ *What is indication price?*

Indication price is prevailing, leveling or auction price determined, i.e. concluded at previous auction of the same shares.

❖ *What is corrected bookkeeping value of shares (CBV)?*

Corrected bookkeeping value is determined when the total assets is lessened for loss amount and total liabilities amount. (liabilities, postponed revalorized profit, long term scheduling and passive time separations), divided by issued number of shares of the issuer, in proportion to their bookkeeping value.

❖ *What is upper and lower CBV?*

Scale of capital value is defined between upper and lower capital limit value. By CBV method lower value limit is determined when corrected bookkeeping capital value is multiplied by 0.5 quotient. Upper limit of scale value is determined when corrected bookkeeping capital value is multiplied by 1 quotient.